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## ETHICS IN TAX ADMINISTRATION

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**Abstract.** *The objective of the article is to present the qualitative research of the perceptions of ethical problems in Lithuanian tax administration from the point of view of both taxpayers and tax administrators. A questionnaire reflecting the statements of the Ethics Code has been designed. A group of taxpayers and a group of tax experts filled the questionnaire reporting their evaluation of practical implementation of the principles of tax administrator's ethical conduct. The questionnaire has been supplemented by personal in-depth interviews to find out the perceptions of what rules of ethical behavior might have been broken in the process of tax collection. Results indicate that taxpayers are less critical in evaluating ethical behavior of tax administrators than tax administrators evaluate themselves. Tax administrators are harsher in judging the ethical behavior of their colleagues and themselves. They also have more proposals to improve co-operation between taxpayers and tax administrators.*

**Keywords:** *ethics, tax administration, taxpayer, professional ethics, code of ethics.*

## Introduction

With the rise of the free market economy, social life becomes more complex. New relationships between individuals are being formed, and tax administration as an area of public administration needs more moral competency. It is widely recognized that the development of professional ethics depends on social, economical, political and legal contexts, and that ethical factors have significant impact on economic development. Unethical behavior contributes to corruption, which has a negative effect on economic growth. Data show that highly-corrupted countries have lower growth. First, corruption discriminates against small enterprises. Second, corruption discourages private investment. Third, corruption directs talent or personal abilities to unproductive activities, like seeking and extracting rents.<sup>1</sup> Corruption breeds distrust of markets and disillusionment with democracy. Strict adherence to the codes of ethics fosters optimal productivity, reduces tension between administrators and taxpayers and enhances social harmony.

Tax collection is one of the core functions of the government. Without tax revenue the government would not be able to provide goods and services to its citizens. It also could not ensure social protection to the socially vulnerable groups. However, tax compliance is a multidimensional issue. Even if taxpayers understand that taxes are the price they have to pay for public goods, there is still a strong incentive to evade taxes. There are many factors that affect the levels of tax compliance in each society: economy, technological and legal development of tax administration, trust in government and its institutions and satisfaction with public goods taxpayers receive for their payments. The research also indicates that taxpayers value fair treatment and „procedural justice“ when facing their duty to pay taxes.<sup>2</sup> Therefore, the ethical dimension of tax collection process should be included into the calculus of non-compliance.

On 13 April, 2004 the Law of Tax Administration of the Republic Lithuania was adopted. In drafting the Law, progressive practices of tax administration in the countries of the European Union were taken into account. The objective of the Law was to raise the relationship between the taxpayer and the tax administrator to a higher level by making tax administration procedures more flexible. The Law also declares the following principles of taxation: taxpayer equality, equity and universal obligation, clarity and prevalence of content over the form.<sup>3</sup> However, a notion persists in society that declared principles remain on paper and are not implemented in practice. This opinion is reflected in annual population surveys regarding the trust in institutions. In 2011, only 0.4% of the respondents indicated that tax administration was among the institutions they trusted most, while 0.6% of the respondents indicated that tax

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1 Walpole, M. Ethics and Integrity in Tax Administration. *UNSW Law Research Paper*. 2009, 33: 6.

2 Lederman, L. Tax Compliance and the Reformed IRS. *Kansas Law Review*. 2003, 51: 971-1011.

3 Lietuvos Respublikos mokesčių administravimo įstatymas. *Valstybės žinios*. 2004, Nr. 63-2243 [aktuali redakcija, 2012-10-20, Nr. IX-2112], str. 6. [Law on Tax Administration of the Republic of Lithuania, Article 6].

administration was among the institutions they distrusted most, giving it the 2nd rating among the least trusted institutions. Moreover, trust in tax administration shows a declining trend.<sup>4</sup> Of course, trust is not an exact measure of ethical behavior. However, arguably, unethical behavior diminishes trust.

The objective of this article is to discuss the role of ethics in tax administration and evaluate the perceptions about the existing ethical problems. For this purpose, the following research methods are used: literature review, survey and interviews with experts, comparison and analysis. The article starts with the review of relevant literature. The next section describes methods and data used, followed by the discussion of results. The final section provides conclusions and recommendations.

## 1. Ethics in Tax Administration

The tension in the relationships between the tax administrator and the taxpayer is inherent in their respective roles in tax collection process. The tax administrator's role is to collect the maximum amount of legally due tax revenue at the least cost. The taxpayer, on the other hand, is interested in maximizing his own utility by reporting the least amount of income to the tax administrator.<sup>5</sup> However, taxpayers are not a homogenous class. Not all of them will cheat as long as there is an opportunity to cheat. Some of the taxpayers are guided by moral principles and by the need to fulfill their duties as citizens in their taxpaying decisions.<sup>6 7 8</sup> Therefore, tax administration charged with the responsibility to collect taxes needs to distinguish between different classes of taxpayers and apply appropriate compliance strategies to each class. All taxpayers need to be treated fairly and with respect. However, potential evaders (or gamblers, according to the basic economic compliance model) need harsher measures to deter them from cheating.<sup>9</sup> Honest taxpayers should not be subjected to undue pressure or harassment but rather treated as a valuable client, offered help and positive encouragement to

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- 4 VIDAUS REIKALŲ MINISTERIJA. *Pasitikėjimo valstybės ir savivaldybių institucijomis ir įstaigomis ir aptarnavimo kokybės vertinimas* [The Evaluation of the Trust in State and Municipal Institutions and the Quality of Service]. 2011 [interactive]. [accessed on 16-10-2012]. <<http://www.vakokybe.lt>>.
  - 5 Allingham, M.G.; Sandmo, A. Income Tax Evasion: A Theoretical Analysis. *Journal of Public Economics*. 1972, 1: 323-338.
  - 6 Alm, J.; Jackson, B.; McKee, M. Deterrence and Beyond: Toward a Kinder, Gentler IRS, in *Why People Pay Taxes*. Slemrod, J. (ed.). Ann Arbor: The University of Michigan Press, 1992, p. 311-329.
  - 7 Sandmo, A. The Theory of Tax Evasion: A Retrospective View. *National Tax Journal*. 2005, 58(4): 643-663.
  - 8 Torgler, B. Direct Democracy Matters: Tax Morale and Political Participation. Paper read at 95<sup>th</sup> Annual Conference on Taxation, November 14-16, 2002, Orlando, Florida. *Proceedings*. Sztrecska Publishing, 2002, p. 50-59.
  - 9 Cowell, F. Carrots and Sticks in Enforcement, in *Crisis in Tax Administration*. Aaron, H.J. and Slemrod, J. (eds.). Washington, D.C.: Brookings Institution Press, 2004, p. 230-258.

comply.<sup>10</sup> The perceived or real unfairness of administrative procedures may actually „crowd-out“ honest taxpayers' propensity to comply.<sup>11</sup>

The ethical problems arise when tax administrators and taxpayers depart from ethical conduct. Though the tax administrator is charged with a duty to collect the maximum amount of taxes legally due, he or she may not exceed the bounds of the law or exercise undue pressure to extract the maximum amount (legally due or otherwise) from taxpayers. Similarly, the tax administrator cannot use his position of power over the taxpayer to receive side-payments or other favors. On the other hand, the taxpayer also has an obligation to comply with the tax law and pay taxes on time and in full. They have to keep records, file tax returns and provide information necessary to determine their true tax liability. The taxpayer cannot obstruct tax administrator's efforts to carry out professional duties of a tax collector.

Vasiljeviene (2003) attempted to reconcile the norms of common morality and stereotypes prevalent in Lithuanian society with the public administration. According to the author, only horizontal relationships between the public administrator and the taxpayer can fulfill the social contract by benefiting both sides. Horizontal relationships imply a partnership, a 'two-way street' in performing respective duties of the public servant and a citizen.<sup>12</sup> The humanity of professional ethics is revealed if a taxpayer – a free citizen – decides to carry out voluntarily his duties instead of being forced to comply as a subordinate. The relationships between the taxpayer and the tax administrator should not be based on the position of power, but develop as a constructive dialogue.

In Lithuania, perceptions of ethical problems in tax administration persist because, on the one hand, taxpayers do not fully appreciate the role of professional ethics in society. On the other hand, the relationships between the tax administrator and the taxpayer remain vertical rather than horizontal. The introduction of Codes of Ethics and other elements of ethical institutions is based on authority rather than on democratic discourse.<sup>13</sup>

## 2. The role of the Codes of Ethics

Professional ethics consists of the principles of conduct governing an individual or a group. Professional ethics helps a professional to make a correct decision when faced with a problem at work that raises moral issues. Many professions and organizations have institutionalized the ethical principles into the written Codes of Ethics. Codes enhance the professional behavior and raise the prestige of the profession. Professional

10 Smith, K.W. Reciprocity and Fairness: Positive Incentives for Tax Compliance, in *Why People Pay Taxes*. Slemrod, J. (ed.). Ann Arbor: The University of Michigan Press, 1992, p. 223-250.

11 Feld, L.P.; Frey, B.S. Trust Bread Trust: How Taxpayers Are Treated. *Economics of Governance*. 2002, 3(2): 87-99.

12 Vasiljeviene, N. *Verslo etika ir elgesio kodeksai: Filosofinės ištakos, metodologiniai pagrindai ir šiuolaikinės praktikos bruožai*. [Business Ethics and the Code of Ethics: Philosophical Sources, Methodological Basics and Features of Current Practice]. 2<sup>nd</sup> edition. Vilnius: Vilniaus universiteto Kauno Humanitarinis fakultetas, Verslo etikos centras, 2003.

13 *Ibid*.

Codes of Ethics are often designed to motivate members of an organization to behave in certain ways. They also provide helpful guidance and advice for individual members when they confront situations that are morally complex. Codes educate by informing members of a profession about their specific grounds for punishing members. The four functions of these codes are inspiring members, their guidance, educating and disciplining.

The State Tax Inspectorate as a central tax administrator of Lithuania adopted the Code of Ethics (in full „The Code of Conduct of the public servant of the State Tax Inspectorate“) in July, 2005.<sup>14</sup> The Code has been supplemented by the Taxpayer Service Standards to guide the ethical behavior of its personnel.<sup>15</sup> The following ethical principles are listed in the Code:

- Respect of an individual and the state
- Justice and objectivity
- Unselfishness
- Integrity
- Responsibility and accountability
- Transparency and openness
- Exemplary behavior
- Service to the public interest and no abuse of power
- Honesty
- Dutifulness
- Loyalty to the state and its institutions.

The Code provides sanctions for the breach of the ethical conduct starting from the warning and ending with the dismissal from the service.

Though having a Code is a commendable achievement, there are many reported instances when Codes guiding public administrations fail, i.e. do not achieve stated goals. Codes may fail because they raise unrealistic expectations or try to control too much. For Codes to work, they need to have institutional support systems. However, there might emerge multiple authorities with competing responsibilities, which, instead of promoting ethical behavior, create confusion. Also, Codes may fail because of the potential shift of political will. With the change in political power policy, agendas may shift and the role of ethics can be de-emphasized. Obviously, a viable legal system has to exist in order to support the functions of the Ethical Codes. It is very difficult for Codes to achieve the stated goals if there is no notion of a professional public service. If the public employee's goals are not fulfilled effectively, serving the public interest or furthering the mission of the agency the employee works for, it will be very difficult to make the Code effective.<sup>16</sup>

14 Valstybinė mokesčių inspekcija. *Valstybinės mokesčių inspekcijos valstybės tarnautojo elgesio kodeksas*. [The Code of Conduct of the Public Servant of the State Tax Inspectorate]. [interactive]. [accessed on 16-10-2012]. <<http://www.vmi.lt/lt/index.aspx?itemId=10058106>>.

15 Valstybinė mokesčių inspekcija. *Taxpayer Service Standards* [interactive]. [accessed on 16-10-2012]. <<http://www.vmi.lt/>>.

16 Gilman, S. *Ethics Codes and Codes of Conduct as Tools for Promoting and Ethical and Professional Public Service*. Washington D.C.: World Bank, 2005.

With so many requirements for Codes of Ethics to work, the question arises of how it could be known if the Code of Ethics adopted by the Lithuanian tax administration is a success. This is not a question of an opinion, but an empirical question.

### 3. The Qualitative Research of Perceptions of Ethical Problems in Tax Administration

To conduct the qualitative research, two groups of experts were selected for interviews. One group represented taxpayers, whereas another group represented tax administration. To represent taxpayers, five employees of small-size business with higher or secondary education and over 3 years of professional experience were chosen for interviews.<sup>17</sup> The average age of the employees was 43 years. The objective of the research was to explore ethical problems in tax administration. The research was based on primary data sources and personal interviews using an in-depth method of interviewing. The respondents were given eight questions and asked to evaluate implementation of principles of ethical conduct of the tax administrator. The interviews were followed by an analysis of compatibility of the expert evaluations and measurement of expert competences.

The qualitative research was supplemented with interviews of eight experts working in tax administration. To disclose possible ethical problems in tax administration, four employees of the territorial tax inspectorate and four customs officers were selected. The average age of the respondents was 43 years. 75% of them had a higher education and all respondents had over 7 years experience in tax administration. The research was based on primary data sources and personal interviews, using an in-depth method of interviewing. The respondents were given seven questions and asked to evaluate implementation of principles of ethical conduct of the tax administrator. The interviews were followed by an analysis of compatibility of the expert evaluations and measurement of expert competences.

During the first stage of research, taxpayers and tax administrators were asked to grade practical implementation of principles of ethical conduct of the tax administrator on a 10 point scale ranging from 1 (unethical conduct) to 10 (particularly ethical conduct). The estimations were based on eleven ethical principles: (1) respect of an individual and the state, (2) fairness and objectivity, (3) unselfishness, (4) integrity and decency, (5) responsibility and accountability, (6) transparency, (7) exemplary behavior, (8) service to the public interest and no abuse of power, (9) honesty, (10) dutifulness and (11) loyalty to the state and its institutions. These criteria were taken from the Code of Ethics of the State Tax Inspectorate approved by Article 5 of the Ordinance No. V-141 of 25 July, 2005 of the Head of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania and the Code of Ethics of Lithuania's Customs Officers

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17 More information on the interviews is available from the authors' upon request.

approved by the Ordinance No 1B-888 of 27 December, 2006 of the Director General of the Customs Department of the Republic of Lithuania.

In the comparison of the estimations of individual principles of conduct, it should be noted that the values of the tax administrators' estimations are lower (average value is 9.3) than those of the taxpayers, whereas the estimations of the taxpayers are higher (average value is 9.6) (see *Table 1*). This result could be explained by the fact that the tax administrators are more aware of the principles of ethical conduct and are more frequently exposed to the practical implementation of those principles, while the taxpayers are less critical of tax administrator's conduct than of the tax system as a whole.

The average estimations of the principles of honesty and loyalty to the state and its institutions by the tax administrators and the taxpayers coincide. The tax administrators produced a higher average estimation of the principle of respect to an individual and the state. In the estimations of the principles of fairness and impartiality, unselfishness, moral integrity and decency, responsibility and accountability, transparency, exemplary behavior, devotion to the public interest, the tax administrators produced lower average values than the taxpayers. Both expert groups highly rated the implementation of the principles of moral integrity and decency, exemplary behavior and dutifulness. The lowest ranking was assigned to the implementation of the principle of loyalty to the state and its institutions.

*Table 1.* Estimations of the implementation of principles of tax administrator's ethical conduct by expert groups

Behavioral principles Expert groups	Respect of an individual and the state	Fairness and objectivity	Unselfishness	Integrity and decency	Responsibility and accountability	Transparency	Exemplary behavior	Service to the public interest	Honesty	Dutifulness	Loyalty to the state and its institutions	Average value
Alternatives	1	2	3	4	5	6	7	8	9	10	11	
Tax administrator	8.9	9.4	9.6	9.8	9.5	9.5	9.8	9	9	9.8	8	9.3
Taxpayer	8.8	9.6	10	10	10	10	10	9.6	9	10	8	9.6

The second stage of the research involved personal interviews with two expert groups. Results of the analysis of the interviews of the taxpayers and the tax administrators are presented in *Table 2*. The answers revealed that the taxpayers value compliance of the tax administrator's conduct with ethical norms better than the tax administrators themselves. None of the interviewed taxpayers have experienced exceptional or discriminating taxing conditions, abuse of authority, corruption or



abuse of official position. The taxpayers also agreed that tax administrators have never failed to safeguard the privacy of taxpayers' information. However, the majority of the taxpayers claimed that tax administrators failed to observe interests of both parties all the time, to follow principles of equity and to show care, fairness and integrity in performing their duties causing the taxpayer to feel unfairly treated in application of the provisions of the tax law. The tax administrators have indicated a variety of violations of ethical norms of the tax administrator's conduct including disloyalty to the taxpayer and the state, incivilities, moodiness, frequent coffee breaks, corruption and abuse of official positions. General analysis of the responses of both expert groups led towards the distinction of 6 groups presented in the *Table 2*. Both respondent groups acknowledged the fact that the tax administrator never violates privacy of the taxpayer's data. Both respondent groups pointed out incivilities, moodiness and disloyalty to the taxpayer, frequent coffee breaks and neglect, unfair and unjust treatment of the taxpayer among the most frequent violations of the tax administrator's professional ethics.

*Table 2.* Evaluation of tax administrator's unethical behavior. (Frequencies)

Violations of professional ethics Expert groups	Exceptional or discriminating taxing conditions, abuse of authority, corruption, abuse of official position	Neglect, unfair and unjust treatment of the taxpayer, incivilities, moodiness, disloyalty to the taxpayer, frequent coffee breaks	Failure to observe interests of both parties and follow principles of equity	Failure to safeguard privacy of data on the taxpayer	Disloyalty to the state	Discriminatory application of the provisions of the tax law	Total
Tax administrator	4	6	0	0	3	0	13
Taxpayer	0	3	3	0	0	3	9
Total	4	9	3	0	3	3	22
<b>Total (%)</b>	<i>18.2</i>	<i>41</i>	<i>13.6</i>	<i>0</i>	<i>13.6</i>	<i>13.6</i>	

(Encoding of answers: 1 – presence of an answer, 0 – absence of an answer)

Taxpayers and tax administrators were asked to submit proposals of how to encourage ethical conduct of the taxpayer and the tax administrator. Every expert from the group of the tax administrators and only 25% of the interviewed taxpayers submitted proposals. This result can be explained by the fact that tax administrators are more competent in judging the strengths and weaknesses of tax system and tax administration and are more capable of expressing their opinion. General analysis of the responses of both expert groups led towards the distinction of 5 groups (see *Table 3*).



Table 3. Proposals to promote ethical conduct. (Frequencies)

Proposals Expert groups	Improvement of the tax system, introduction of additional legal restrictions	Observance of reasonability and fairness	Promotion of benevolence, courtesy and decency	Strict observance of the criteria of accountability	Dissemination of information	Total
Tax administrator	2	2	3	1	1	9
Taxpayer	0	0	1	0	0	1
Total	2	2	4	1	1	10
<b>Total (%)</b>	20	20	40	10	10	

(Encoding of answers: 1 – presence of an answer, 0 – absence of an answer)

The data presented in the *Table 3* revealed that both respondent groups agreed that ethical conduct of the taxpayer and the tax administrator may be encouraged by promoting benevolence, courtesy and decency.

The experts of both respondent groups were also asked to make proposals of how to improve cooperation between the taxpayer and the tax administrator. 40% of the interviewed taxpayers and all experts from the group of the tax administrators submitted their proposals. General analysis of the responses of both expert groups led towards the distinction of 5 groups. Data presented in *Table 4* revealed that both respondent groups agreed that the cooperation between the taxpayer and the tax administrator may be improved by introducing general ethical norms and providing more information on the tax system and applicable ethical norms.

Table 4. Proposals to improve cooperation between taxpayer and tax administrator. (Frequencies)

Proposals Expert groups	More information on the tax system and applicable ethical norms	Simplification of the procedures of tax administration	Introduction of heavier sanctions	Aspirations towards common interests	Introduction of general ethical norms	Total
Tax administrator	4	1	1	1	2	9
Taxpayer	0	0	0	0	2	2
Total	4	1	1	1	4	11
<b>Total (%)</b>	36.4	9.09	9.09	9.09	36.4	

(Encoding of answers: 1- presence of an answer, 0 - absence of an answer)

To sum up, it may be stated that the estimations produced by the tax administrators are more diverse than the estimations produced by the taxpayers, as the range of the deviations of tax administrators' estimations is wider than that of the taxpayers. In the comparison of the estimations of individual principles of conduct, it should be noted that the tax administrators' estimations are lower (average value is 9.3) than those of the taxpayers (average value is 9.6), although the estimations of both the tax administrators and the taxpayers are very similar.

The research revealed that both respondent groups acknowledged the fact that the tax administrator never violates privacy of data on the taxpayer. Both respondent groups pointed out incivilities, moodiness and disloyalty to the taxpayer, frequent coffee breaks and neglect, unfair and unjust treatment of the taxpayer among the most frequent violations of the tax administrator's professional ethics.

To sum up the proposals of how to encourage ethical conduct of the tax administrator, both respondent groups proposed to encourage ethical conduct by promoting benevolence, courtesy and decency.

According to the proposals of how to improve the cooperation between the taxpayer and the tax administrator, it could be concluded that both respondent groups agreed that such cooperation may be improved by introducing general ethical norms and providing more information on the tax system and applicable ethical norms.

#### 4. Tests of Expert Compatibility and Expert Competency

As required for this method of research, the interviews were followed by the analysis of the compatibility of the expert evaluations and the measurement of expert competency. The compatibility of the expert evaluations has been tested using Kendall's  $W$  (Kendall's coefficient of concordance).<sup>18</sup> Kendall's coefficient of concordance for ranks ( $W$ ) calculates agreements between experts, as they rank a number of subjects according to particular characteristics. If the test statistic  $W$  is 1, then all the survey respondents have been unanimous and each respondent has assigned the same order to the list of issues. If  $W$  is 0, then there is no overall trend of agreement among the respondents and their responses may be regarded as essentially random. The following hypotheses have been formed:

$H_0$ : *The experts' evaluations are contradictory* (Kendall's  $W$  is equal to zero);

$H_A$ : *The experts' evaluations are similar* (Kendall's  $W$  is not equal to zero).

Kendall's coefficient of concordance is calculated according to the following formula:

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18 Rudzkiene, V., Augustinaitis, A. *Guidelines for E-Government in Lithuania: A Research of Future Insights*. Vilnius: Press Center of Mykolas Romeris University, 2009. (in Lithuanian)

$$W = \frac{12S^2}{m^2(k^3 - k) - m \sum_{l=1}^r T_l^2}, \quad (1)$$

where  $W$  is the coefficient of concordance;  
 $S^2$  is the sum of squared deviations ;  
 $m$  is the number of experts;  
 $k$  is the number of alternatives;  
 $r$  is the number of rows that contain coinciding ranking;  
 $T_l$  is the number of coinciding rankings in the first row of ranks.

Table 5. Data of experts' evaluations and calculations

Expert No.	Alternatives										
	1	2	3	4	5	6	7	8	9	10	11
E1	7	9	10	10	10	10	10	9	8	10	6
E2	10	10	10	10	10	10	10	10	9	10	9
E3	10	10	10	10	10	10	10	10	10	10	8
E4	9	10	10	10	10	10	10	10	9	10	10
E5	8	9	10	10	10	10	10	9	9	10	7
Sum of ranks	44	48	50	50	50	50	50	48	45	50	40
Mean of sum of ranks $\bar{a}$	47,7	47,7	47,7	47,7	47,7	47,7	47,7	47,7	47,7	47,7	47,7
Sum of squared deviations	13,69	0,09	5,29	5,29	5,29	5,29	5,29	0,09	7,29	5,29	59,29

For the data presented in the Table 5, Kendall's  $W$  has been calculated using statistical package SPSS (version 17). The results are presented in Table 6.

Table 6. Test statistics for expert compatibility.

Kendall's Coefficient of Concordance	.638
Chi-Square	31.877
Degrees of freedom	10
Number of experts	5
Asymp. Significance	.000

Source: authors' calculations using SPSS.

The calculated Kendall's coefficient of concordance of 0.64 indicates a high level of agreement among the experts in evaluating proposed items. Therefore, the null hypothesis that the experts evaluations are contradictory can be rejected at the 0.00 level of statistical significance.

The method of expert evaluation is based on the assumption that the decision can be made only if the experts' opinions are compatible. Therefore, an expert, whose evaluation differs from the majority's evaluation, should be eliminated from the group. In order to determine such experts, the coefficient of competency (K) is calculated by a way of iteration.<sup>19</sup> The first step (t=0) is to assign each expert the same coefficient of competency  $K_i^0 = 1/5 = 0.2$ . The second step (t=1) is for each group of alternatives to give a value, i.e. the sum of each of 11 alternative rankings is multiplied by the coefficient of competency of each expert.

Alternatives	1	2	3	4	5	6	7	8	9	10	11
Group values	8,8	9,6	10	10	10	10	10	9,6	9	10	8

The next step requires multiplying each alternative (column) by the group value to obtain the sum of elements

$$\lambda^t = \sum_{j=1}^n \sum_{i=1}^m x_j^t \cdot x_{ij}^t$$

61,6	86,4	100	100	100	100	100	86,4	72	100	48
88	96	100	100	100	100	100	96	81	100	72
88	96	100	100	100	100	100	96	90	100	64
79,2	96	100	100	100	100	100	96	81	100	80
70,4	86,4	100	100	100	100	100	86,4	81	100	56
Sum = 5033,8										

The last step involves multiplying the group values by the row values of the original matrix and summing them up. Dividing the obtained sums by the previously obtained sum of elements produces the new coefficient of competency for each expert.

$$K_i^t = \frac{1}{\lambda^t} \cdot \sum_{j=1}^n x_j^t \cdot x_{ij}^t$$

19 The coefficient of competency has been calculated following the method described by Rudzkiene, V.; Augustinaitis, A. *Lietuvos E. valdžios gairės: ateities įžvalgų tyrimas*. [Guidelines for E-Government in Lithuania: A Research of Future Insights]. Vilnius: Mykolo Romerio universiteto leidybos centras, 2009, p. 211-213.

													Suma	K <sub>i</sub>
61,6	86,4	100	100	100	100	100	86,4	72	100	48	61,6	86,4	945,4	0,190
88	96	100	100	100	100	100	96	81	100	72	88	96	1033	0,205
88	96	100	100	100	100	100	96	90	100	64	88	96	1034	0,205
79,2	96	100	100	100	100	100	96	81	100	80	79,2	96	1032,2	0,205
70,4	86,4	100	100	100	100	100	86,4	81	100	56	70,4	86,4	980,2	0,195

The values of individual coefficients of competency should add up to one (1).

$$\sum_{j=1}^m K_i^t = 1 :$$

$$0,190 + 0,205 + 0,205 + 0,205 + 0,195 = 1.$$

In this case, the individual values add up to one and supports the premise that individual expert's evaluation is compatible with group's evaluations.

## 5. Limitations of the Research

The major limitation of this research is the low level of representation of the population. The experts were not chosen on specific criteria, but based on convenience. The group representing the taxpayers is especially small and the answers show little variance, which limits the possibility of a further statistical analysis and the generalization of the results. The conclusions drawn from this research should be taken with the consideration of these limitations.

## Conclusions

The results of the research revealed five major points:

1. Taxpayers estimated the compliance of the tax administrator's conduct with ethical norms better than the administrators themselves.
2. Both respondent groups acknowledged the fact that the tax administrator never violates the privacy of taxpayer's information.
3. Both respondent groups pointed out incivilities, moodiness and disloyalty to the taxpayer, frequent coffee breaks and neglect, unfair and unjust treatment of the taxpayer among the most frequent violations of the tax administrator's professional ethics.
4. Both respondent groups agreed that the ethical conduct of the taxpayer and the tax administrator may be encouraged by promoting benevolence, courtesy and decency.

5. Both respondent groups agreed that the cooperation between the taxpayer and the tax administrator may be improved by introducing general ethical norms and providing more information on the tax system and applicable ethical norms.

Though this research did not find overwhelming evidence to support the view of common violations of ethical norms by tax administration, the perception of lingering ethical problems still persists in society. In part, not only is the role of professional ethics inadequately perceived, but also the relics of moral dualism engender the proliferation of vertical relationships between the tax administrator and the taxpayer instead of horizontal relationships. It is essential to foster such culture of tax administration which is based on equal horizontal relationships between the taxpayer and the tax administrator, leading towards a timely collection of taxes by appealing to tax payers' conscience, social duty and using positive encouragement instead of ruthless enforcement.

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## ETIKA MOKESČIŲ ADMINISTRAVIME

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**Santrauka.** *Rinkos ekonomikos sąlygomis visuomenėje padidėja poreikis sukurti ne tik profesionalų, bet ir etišką viešąjį administravimą. Etikos problemų atsiranda, kai valstybės tarnautojo arba mokesčių mokėtojo elgesys neatitinka etiško elgesio normų. Neetiškas elgesys neretai siejasi su korupcija, o korupcija mažina pasitikėjimą demokratija, valstybe, stabdo ekonominį augimą. Įtampa mokesčių administravime atsiranda dėl skirtingų mokesčio administratoriaus ir mokesčių mokėtojo motyvų ir tikslų mokesčių administravimo procese. Iš vienos pusės, mokesčių administratorius yra įpareigotas surinkti į valstybės biudžetą maksimalų kiekį mokestinių pajamų. Iš kitos pusės, mokesčių mokėtojas siekia padidinti savo naudą mokėdamas minimalią mokesčių sumą. Abi pusės siekdamas priešingų tikslų negali peržengti legalumo ir etiško elgesio ribos. Straipsnio tikslas yra pristatyti kokybinį tyrimą apie etikos problemų egzistavimo Lietuvos mokesčių administravime percepciją. Buvo parinktos dvi ekspertų grupės: mokesčių administratorių ir mokesčių mokėtojų grupė. Abi grupės atsakė į klausimus, susijusius su galimais etikos pažeidimais mokesčių administravime. Taip pat abi grupės įvertino etiško elgesio principų, institutiškai įtvirtintų Etikos kodekse, įgyvendinimą praktikoje. Rezultatai rodo, kad mokesčių administratoriai kritiškiau vertina etiško elgesio įgyvendinimą praktikoje nei mokesčių mokėtojai. Tokį rezultatą galima paaiškinti mažesniu mokesčių mokėtojų susipažinimu su etiško elgesio principais bei didesniu nepasitenkinimu mokesčių sistema apskritai, o ne mokesčių administratoriaus elgesiu mokesčių surinkimo procese. Tyrimo išvadas reikėtų vertinti atsargiai dėl mažos tyrimo apimties ir patogumo principu parinktų ekspertų grupių.*

**Reikšminiai žodžiai:** *etika, mokesčių administravimas, mokesčių mokėtojas, profesinė etika, Etikos kodeksas.*



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